

**Leelanau Township
Leelanau County, Michigan**

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

March 31, 2008

Dennis, Gartland & Niergarth

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Township Board
Leelanau Township
Leelanau County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of *Leelanau Township* (the "Township") as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 22-24, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining non-major financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 30, 2008

Leclanau Township
STATEMENT OF NET ASSETS
March 31, 2008

	Primary Government		
	Governmental		
	Activities	Business-Type	Total
ASSETS			
CURRENT ASSETS			
Cash and equivalents	\$ 983,728	\$ 226,637	\$ 1,210,365
Accounts receivable	40,707	-	40,707
Special assessments receivable	-	71,026	71,026
Due from other governmental units	24,293	-	24,293
Taxes receivable	97,033	-	97,033
Due from other funds	127,878	-	127,878
Total current assets	1,273,639	297,663	1,571,302
CAPITAL ASSETS, net of accumulated depreciation	1,735,169	1,158,992	2,894,161
OTHER ASSETS			
Long-term receivable	60,284	-	60,284
Special assessments receivable	-	1,038,708	1,038,708
Total other assets	60,284	1,038,708	1,098,992
Total assets	\$ 3,069,092	\$ 2,495,363	\$ 5,564,455
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 60,823	\$ -	\$ 60,823
LONG-TERM LIABILITIES	-	1,158,992	1,158,992
Total liabilities	60,823	1,158,992	1,219,815
NET ASSETS			
Invested in capital assets, net of related debt	1,735,169	-	1,735,169
Unrestricted	1,273,100	1,336,371	2,609,471
Total net assets	3,008,269	1,336,371	4,344,640
Total liabilities and net assets	\$ 3,069,092	\$ 2,495,363	\$ 5,564,455

The accompanying notes are an integral part of these financial statements.

Leelanau Township
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Primary Government
Primary government				
Governmental activities				
Legislative	\$ 140,041	\$ -	-	\$ (140,041)
General Government	283,587	108,687	101,328	(73,572)
Fire/EMS	634,799	60,389	-	(574,410)
Police	82,622	-	-	(82,622)
Planning and zoning	85,988	20,468	-	(65,520)
Parks and recreation	23,700	-	-	(23,700)
Library	97,361	-	7,416	(89,945)
Other	17,336	-	-	(17,336)
Interest on long-term debt	1,665	-	-	(1,665)
Depreciation - unallocated	150,826	-	-	(150,826)
Total governmental activities	1,517,925	189,544	108,744	(1,219,637)
Business-type activities				
Sewer	8,060	-	21,331	13,271
Total primary government	\$ 1,525,985	\$ 189,544	\$ 130,075	
General purpose revenues				
Taxes				
Property taxes, levied for general purposes				1,213,182
Investment earnings				29,251
Miscellaneous				46,632
Total general revenues				1,289,065
Change in net assets				69,428
Net assets, beginning of the year				4,275,212
Net assets, end of the year				\$ 4,344,640

☛ The accompanying notes are an integral part of these financial statements.

Leelanau Township

BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2008

	General Fund	Fire/EMS Fund	Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 58,645	\$ 459,814	\$ 348,729	\$ 116,540	\$ 983,728
Accounts receivable	100,991	-	-	-	100,991
Due from governmental units	24,293	-	-	-	24,293
Taxes receivable	27,991	53,474	7,857	7,711	97,033
Due from other funds	105,365	17,642	43,231	2,357	168,595
Total assets	<u>\$ 317,285</u>	<u>\$ 530,930</u>	<u>\$ 399,817</u>	<u>\$ 126,608</u>	<u>\$ 1,374,640</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 33,334	\$ 9,061	\$ -	\$ 18,428	\$ 60,823
Due to other funds	-	40,717	-	-	40,717
Total liabilities	<u>33,334</u>	<u>49,778</u>	<u>-</u>	<u>18,428</u>	<u>101,540</u>
FUND BALANCES					
Reserved for					
Long-term receivable	60,284	-	40,660	-	100,944
Restricted donations	-	-	-	-	-
Unreserved	223,667	481,152	359,157	108,180	1,172,156
Total fund balances	<u>283,951</u>	<u>481,152</u>	<u>399,817</u>	<u>108,180</u>	<u>1,273,100</u>
Total liabilities and fund balances	<u>\$ 317,285</u>	<u>\$ 530,930</u>	<u>\$ 399,817</u>	<u>\$ 126,608</u>	

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$3,089,390 and the accumulated depreciation is \$1,354,221.

1,735,169

Total net assets - governmental activities

\$ 3,008,269

Leelanau Township

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended March 31, 2008

	General Fund	Fire/EMS Fund	Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 318,635	\$ 697,300	\$ 101,862	\$ 95,385	\$ 1,213,182
State grants	101,328	-	-	7,416	108,744
Charges for services	108,687	60,389	-	-	169,076
Interest income	13,341	6,105	7,730	2,075	29,251
Other revenue	37,639	11,978	-	17,483	67,100
Total revenues	579,630	775,772	109,592	122,359	1,587,353
EXPENDITURES					
Current					
Legislative	140,041	-	-	-	140,041
General government	283,521	-	66	-	283,587
Public safety	85,988	634,799	-	82,622	803,409
Recreation and culture	23,700	-	-	97,361	121,061
Capital outlay	524	52,516	38,308	-	91,348
Debt service	-	1,665	-	-	1,665
Total expenditures	533,774	688,980	38,374	179,983	1,441,111
REVENUES OVER (UNDER) EXPENDITURES	45,856	86,792	71,218	(57,624)	146,242
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,600	-	-	77,809	79,409
Operating transfer out	(77,809)	(1,600)	-	-	(79,409)
Total other financing sources (uses)	(76,209)	(1,600)	-	77,809	-
NET CHANGE IN FUND BALANCES	(30,353)	85,192	71,218	20,185	146,242
Fund balance, beginning of year	314,304	395,960	328,599	87,995	1,126,858
Fund balance, end of year	\$ 283,951	\$ 481,152	\$ 399,817	\$ 108,180	\$ 1,273,100

Leelanau Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2008

Total net change in fund balances - governmental funds	\$ 146,242
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds expenditures. However, those costs are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlays	\$ 74,012	
Depreciation expense	<u>(150,826)</u>	<u>(76,814)</u>

Change in net assets of governmental activities	<u>\$ 69,428</u>
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Leelanau Township

PROPRIETARY FUND - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<u>Sewer Fund</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 21,331
Interest expense	<u>(8,060)</u>
Total nonoperating revenues (expenses)	13,271
Net assets, beginning of year	<u>1,323,100</u>
Net assets, end of year	<u><u>\$ 1,336,371</u></u>

Leelanau Township

PROPRIETARY FUND - STATEMENT CASH FLOWS

Year Ended March 31, 2008

	<u>Sewer Fund</u>
Investing activities	
Interest income received on investments and special assessments	<u>\$ 21,331</u>
Capital financing activities	
Payments received on special assessments	71,026
Interest expense	<u>(8,060)</u>
Net cash provided by capital financing activities	<u>62,966</u>
NET INCREASE IN CASH	84,297
Cash, beginning of year	<u>142,340</u>
Cash, end of year	<u><u>\$ 226,637</u></u>

Leelanau Township

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2008

	Private-purpose Trusts	Agency Funds
ASSETS		
Cash	\$ 34,320	\$ 150,413
Investments	63,037	-
Total assets	<u>\$ 97,357</u>	<u>\$ 150,413</u>
LIABILITIES		
LIABILITIES		
Due to other funds	\$ -	\$ 127,878
Due to other governmental units	-	22,535
Total liabilities	<u>-</u>	<u>\$ 150,413</u>
NET ASSETS		
Reserved for cemetery perpetual care	93,945	
Unreserved	3,412	
Total net assets	<u>\$ 97,357</u>	

Leelanau Township

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Leelanau Township (the "Township") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the fiscal year ended March 31, 2008.

The Financial Reporting Entity

The Township's financial statements include the accounts of all Township operations. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the Township is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Township. Additionally, the Township is required to consider other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Township has not identified any blended or discretely presented component units requiring inclusion in the Township's financial statements.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the Township as a whole, except for its fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the Township's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Township are prepared in accordance with generally accepted accounting principles ("GAAP"). The Township applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Fire/Emergency Medical Services Fund is used to account for a tax levy restricted for the provision of fire and emergency medical services to township residents.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued*Activities in Major Funds – Continued*

The Facilities Fund is used to account for a tax levy restricted for capital improvements to Township properties.

*Activities in Non-Major Funds***GOVERNMENTAL FUNDS**

Special revenue funds – these funds are used to account for specific revenue (other than special assessments, expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

Cash and Equivalents

The Township reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 7 to 50 years. The Township generally capitalizes assets with costs of \$500 or more as purchase and construction outlays occur. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Improvements, other than buildings	20 to 25 years
Vehicles	7 to 15 years
Furniture and equipment	3 to 20 years

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued***Fund Equity***

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. Designations of fund balance represent tentative management plans that are subject to change. The Township had no fund balance reservations or designations as of March 31, 2008.

Allocation of Expenses

The Township reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The Township has elected to not allocate indirect expenses. However, depreciation expense directly related to a particular function is included in that function on the statement of activities.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the Township's general revenues.

The Township's most significant program revenue is State Revenue Sharing, which is reported as operating grants and contributions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS – Continued

NOTE B - BUDGETARY POLICY AND PRACTICE

The Township has adopted these procedures in establishing the budgets as reflected in the financial statements:

1. Each winter, the Supervisor and Clerk formulate preliminary budgets for the coming year, which is then submitted to the Township Board for its review.
2. A public hearing is held prior to March 31 on the proposed budgets to obtain taxpayer comments.
3. The Township Board reviews the proposed budget and then in March adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Township Board.
5. It is the Supervisor's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Township Board.
6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Township Board.
8. All annual appropriations lapse at fiscal year-end.

NOTE C - CASH AND INVESTMENTS

At March 31, 2008, the Township's cash and investments include the following:

	<u>Balance Sheet Classification</u>		
	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Total</u>
Bank deposits and cash on hand	\$1,395,338	\$ -	\$1,395,338
CD	-	63,037	63,037
Total	<u>\$1,395,338</u>	<u>\$63,037</u>	<u>\$1,458,375</u>

Custodial Credit Risk – Deposits

In the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$1,263,702 of the Township's bank balance of \$1,463,702 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS – Continued

Investments

Michigan law permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Current</u>	<u>Investment Maturities (in years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
CD	\$63,037	\$63,037	\$ -	\$ -	\$ -

Interest Rate Risk

In accordance with the Township's investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fail due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The Township has no investment policy that would further limit its investment choices.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in December of the Township's fiscal year. The Township collects real property taxes between December 1 and February 14. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Township for uncollected taxes as of February 14 out of proceeds of revolving tax notes. Personal property taxes are the responsibility of the Township to collect. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Township regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$3.5208 per \$1,000 of equalized property value of \$344 million was levied for the following purposes: general operating, fire/EMS, township facilities and police.

NOTES TO FINANCIAL STATEMENTS – Continued

Intergovernmental Receivables and Deferred Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State government. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

Amounts due from other governments at March 31, 2008, were due entirely from the State of Michigan for State Revenue Sharing payments.

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

Governmental Activities – General Fixed Assets

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
Buildings and improvements	\$1,065,718	\$29,640	\$ -	\$1,095,358
Furniture and equipment	381,458	44,372	-	425,830
Vehicles	<u>1,170,814</u>	<u>-</u>	<u>-</u>	<u>1,170,814</u>
Total depreciable assets	2,617,990	74,012	-	2,692,002
Less accumulated depreciation	(1,203,395)	(150,826)	-	(1,354,221)
Land	<u>397,387</u>	<u>-</u>	<u>-</u>	<u>397,387</u>
Total capital assets, net	<u>\$ 1,811,982</u>	<u>(\$76,814)</u>	<u>\$ -</u>	<u>\$1,735,168</u>

Depreciation expense is reported in the statement of activities as follows:

Unallocated	<u>\$150,826</u>
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Business-Type Activities – Enterprise Funds

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
Construction in process	\$ -	\$1,158,992	\$ -	\$1,158,992

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F – BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Operating Transfers

A summary of operating transfers in and out of individual funds follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,600	\$77,809
Fire/EMS Fund	-	1,600
Library Fund	77,809	-

Receivables and Payables

Interfund receivables and payables as reported in the governmental fund financial statements at March 31, 2008 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$105,365	\$ -
Fire/EMS Fund	17,642	40,717
Police Fund	2,357	-
Facilities Fund	43,231	
Tax Collection Fund	-	127,878

NOTE G – LONG-TERM DEBT

Long-term debt consists of 2008 General Obligation Limited Tax Bonds recorded in the Sewer Fund. The debt will be repaid from special assessments recorded in the Sewer Enterprise Fund. Up to \$13,290,000 can be borrowed to fund the sewer project. Required principal payments begin in April, 2009. Interest is payable at 1.625% annually. The Township is responsible for repayment of 19.9% of the amount borrowed and the Village of Northport is responsible for the remaining 80.1%. If the full amount is borrowed, the amortization of the loan will change and will be repaid in full in April, 2028.

Beginning balance, April 1, 2007	\$ -
Additions	1,158,992
Payments	<u>-</u>
Ending balance, March 31, 2008	<u>\$1,158,992</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Annual requirements to amortize long-term debt outstanding as of March 31, 2008 are as follows:

Year Ending <u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 16,416
2010	112,435	17,920
2011	114,425	16,077
2012	116,415	14,201
2013	118,405	12,369
2014-2018	621,875	31,103
2019	<u>75,437</u>	<u>1,226</u>
Total	<u>\$1,158,992</u>	<u>\$109,312</u>

NOTE H - RISK MANAGEMENT

The Township pays an annual premium to a private insurance carrier for its general insurance coverage. The Township carries coverage for property damage, liability, wrongful acts, automobile and crime claims. Also, the Township carries worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Township also continues to carry commercial insurance for employee health and accident insurance.

NOTE I - PENSION PLAN

The Township participates in a defined contribution pension plan. The plan covers substantially all employees with the exception of seasonal employees. The amount of covered payroll for the year ended March 31, 2008 was \$489,670; total payroll for the year ended March 31, 2008 was \$569,361. Employer contributions are based upon a percentage of annual payroll. Employees may make additional contributions. Employees are vested 100% immediately in employee contributions and are vested as follows in employer contributions:

<u>Years of Service</u>	<u>Vested</u>
0-2	0%
3	20%
4	40%
5	60%
6	80%
7	100%

The Township fully funded its required contributions for the year ended March 31, 2008. Employer contributions for the years ended March 31, 2008, 2007 and 2006 amounted to \$48,967, \$45,330 and \$38,322, or 10% of covered payroll. There were employee contributions of \$2,100 during the year.

None of the plan's assets are invested in Township securities or those of related parties. There are no loans from the plan to the Township.

NOTES TO FINANCIAL STATEMENTS – Continued

NOTE J - LONG-TERM RECEIVABLE

The long-term receivable is the result of the Township incurring costs associated with the development of the local sewer system. The Township will be reimbursed when funding of the sewer project becomes available through the issuance of bonds. As of March 31, 2008, the balance of the long-term receivable was \$60,284.

NOTE K – SPECIAL ASSESSMENTS RECEIVABLE

The special assessments receivables are the result of sewer assessments levied on all Township residents. The Township estimates that the annual installments will be approximately \$71,000 and will be collected through 2025. However, this amount may change because residents of the Township can choose to pay their assessment in full at any time. If the residents choose to pay annually, they will be charged interest at the annual rate of 2.625%. As of March 31, 2008, the balance of the special assessments receivable was \$1,109,734.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Township and a neighboring village are in the process of establishing a sewer authority to construct and operate a sewer system for the area. The Township's estimated cost of the project is \$2,265,400. The project will be paid with the proceeds from a State Revolving Fund loan. The loan will be repaid by special assessments billed to the benefiting property owners.

REQUIRED SUPPLEMENTARY INFORMATION

Leelanau Township
BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes					
Property taxes	\$ 306,921	\$ 313,463	\$ 318,130	\$ 6,542	\$ 4,667
Swamp tax	505	505	505	-	-
Total taxes	307,426	313,968	318,635	6,542	4,667
Collection fees	96,300	103,063	108,687	6,763	5,624
Intergovernmental revenues	104,153	104,153	101,328	-	(2,825)
Interest income	12,880	14,880	13,341	2,000	(1,539)
Other					
Licenses and permits	24,750	23,009	20,468	(1,741)	(2,541)
Contributions from private sources	-	433	383	433	(50)
Rentals	600	700	25	100	(675)
Miscellaneous	63,166	17,668	16,763	(45,498)	(905)
Total other revenues	88,516	41,810	37,639	(46,706)	(4,171)
Total revenues	609,275	577,874	579,630	(31,401)	1,756
EXPENDITURES					
General government					
Township Board	100,529	122,783	140,041	(22,254)	(17,258)
Supervisor	37,570	37,570	37,454	-	116
Elections	3,400	4,193	3,741	(793)	452
Assessor	123,712	78,612	69,111	45,100	9,501
Clerk	45,994	49,223	49,593	(3,229)	(370)
Treasurer	49,119	50,337	50,214	(1,218)	123
Community hall	42,718	43,548	34,869	(830)	8,679
Airport	13,736	19,074	17,112	(5,338)	1,962
Planning and zoning	82,502	153,859	85,988	(71,357)	67,871
Cemetery operations	15,386	13,686	11,773	1,700	1,913
Unallocated	10,058	12,008	9,654	(1,950)	2,354
Total general government	524,724	584,893	509,550	(60,169)	75,343
Culture and recreation					
Parks and recreation	26,768	28,240	23,700	(1,472)	4,540
Capital outlay	800	800	524	-	276
Total expenditures	552,292	613,933	533,774	(61,641)	80,159
EXCESS OF REVENUES OVER EXPENDITURES					
	56,983	(36,059)	45,856	(93,042)	81,915
Other financing sources (uses)					
Operating transfers in	1,600	1,600	1,600	-	-
Operating transfers out	(78,750)	(79,930)	(77,809)	(1,180)	2,121
Total financing uses, net	(77,150)	(78,330)	(76,209)	(1,180)	2,121
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	(20,167)	(114,389)	(30,353)	(94,222)	84,036
Fund balance, beginning	314,304	314,304	314,304	-	-
Fund balance, ending	\$ 294,137	\$ 199,915	\$ 283,951	\$ (94,222)	\$ 84,036

Leelanau Township

BUDGETARY COMPARISON FOR THE FIRE/EMS FUND

For the Year Ended March 31, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 674,954	\$ 689,783	\$ 697,300	\$ 14,829	\$ 7,517
Charges for services	70,000	70,000	60,389	-	(9,611)
Interest income	7,000	7,100	6,105	100	(995)
Other	-	2,500	2,500	2,500	-
Contributions from private sources	1,350	1,600	3,232	250	1,632
Rentals	3,100	7,100	6,246	4,000	(854)
Miscellaneous	756,404	778,083	775,772	21,679	(2,311)
Total revenues	622,142	651,492	634,799	(29,350)	16,693
EXPENDITURES	38,000	58,000	52,516	(20,000)	5,484
Public safety	2,841	1,665	1,665	1,176	0
Capital outlay	662,983	711,157	688,980	(48,174)	22,177
Interest on long-term debt					
Total expenditures	93,421	66,926	86,792	(26,495)	19,866
EXCESS OF EXPENDITURES OVER REVENUES					
Other financing sources (uses)	-	-	-	-	-
Operating transfers in	(1,600)	(1,600)	(1,600)	-	0
Operating transfers out	(1,600)	(1,600)	(1,600)	-	-
Total financing uses, net	91,821	65,326	85,192	(26,495)	19,866
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	395,960	395,960	395,960	-	-
Fund balance, beginning	\$ 487,781	\$ 461,286	\$ 481,152	\$ (26,495)	\$ 19,866
Fund balance, ending					

Leelanau Township

BUDGETARY COMPARISON FOR THE FACILITIES FUND

For the Year Ended March 31, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 98,200	\$ 105,978	\$ 101,862	\$ 7,778	\$ (4,116)
Interest income	7,840	7,854	7,730	14	(124)
Total revenues	106,040	113,832	109,592	7,792	(4,240)
EXPENDITURES					
Unallocated	100	100	66	-	34
Capital outlay	151,100	47,265	38,308	103,835	8,957
Total expenditures	151,200	47,365	38,374	103,835	8,991
EXCESS OF EXPENDITURES OVER REVENUES	(45,160)	66,467	71,218	111,627	4,751
Fund balance, beginning	328,599	328,599	328,599	-	-
Fund balance, ending	\$ 283,439	\$ 395,066	\$ 399,817	\$ 111,627	\$ 4,751

COMBINING FINANCIAL STATEMENTS

Leelanau Township

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

March 31, 2008

	ASSETS				Totals (Memorandum Only)
	Library Fund	Police Services Fund	Right-of-Way Telecom Fund		
Cash	\$ 125	\$ 93,016	\$ 23,399	\$	116,540
Taxes receivable	-	7,711	-		7,711
Due from other funds	-	2,357	-		2,357
	<u>\$ 125</u>	<u>\$ 103,084</u>	<u>\$ 23,399</u>	<u>\$</u>	<u>126,608</u>

LIABILITIES AND FUND BALANCE				Totals (Memorandum Only)
LIABILITIES				
Accounts payable	\$ -	\$ 18,428	\$ -	\$ 18,428
FUND BALANCE				
Unreserved	125	84,656	23,399	108,180
Total fund balance	125	84,656	23,399	108,180
	<u>\$ 125</u>	<u>\$ 103,084</u>	<u>\$ 23,399</u>	<u>\$ 126,608</u>

Leelanau Township

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended March 31, 2008

	Library Fund	Police Services Fund	Right-of-Way Telecom Fund	Totals (Memorandum Only)
Receipts				
Taxes	\$ -	\$ 95,385	\$ -	\$ 95,385
Intergovernmental revenues	7,416	-	-	7,416
Interest	-	1,546	529	2,075
Other	12,136	-	5,347	17,483
Total receipts	19,552	96,931	5,876	122,359
Disbursements				
Public safety	-	82,622	-	82,622
Culture and recreation				
Library	97,361	-	-	97,361
Capital outlay	-	-	-	-
Total disbursements	97,361	82,622	-	179,983
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(77,809)</u>	<u>14,309</u>	<u>5,876</u>	<u>(57,624)</u>
Other financing sources (uses)				
Operating transfers in	77,809	-	-	77,809
Operating transfers out	-	-	-	-
Total other financing sources (uses)	77,809	-	-	77,809
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	-	14,309	5,876	20,185
Fund balance, beginning	125	70,347	17,523	87,995
Fund balance, ending	<u>\$ 125</u>	<u>\$ 84,656</u>	<u>\$ 23,399</u>	<u>\$ 108,180</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Township Board
Leelanau Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of *Leelanau Township* (the "Township") as of and for the year ended March 31, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the Township's ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied on its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, the Township is not unlike many other local governments of its size and nature. The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility of their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Township's management's response to the finding identified in our audit is described above. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

October 30, 2008